



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HENDERSON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
HENDERSON COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Henderson County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances increased by \$9,716,753 due to proceeds from a bond issue from the prior fiscal year, resulting in a cash surplus of \$13,582,100 as of June 30, 2000. Revenues excluding bond proceeds increased by \$617,812 from the prior year and disbursements increased by \$493,701.

Debt Obligations:

Total bonded debt principal as of June 30, 2000, was \$15,860,000. Future collections of \$27,460,439 are needed over the next 26 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$32,413 as of June 30, 2000. Future principal and interest payments of \$33,514 are needed to meet these obligations.

Report Comment:

- The Fiscal Court Should Adopt An Administrative Code

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

Subsequent Events:

A former jail employee was convicted of theft and restitution was made to the Henderson County Detention Center.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Sandy L. Watkins, Henderson County Judge/Executive

Members of the Henderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Henderson County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Henderson County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Henderson City-County Planning Commission Fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Henderson City-County Planning Commission Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Henderson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Sandy L. Watkins, Henderson County Judge/Executive
Members of the Henderson County Fiscal Court

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000 of Henderson County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2001 on our consideration of Henderson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Henderson County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Fiscal Court Should Adopt An Administrative Code

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 26, 2001

HENDERSON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Sandy Lee Watkins	County Judge/Executive
Wanda Lee Pruden	Magistrate
Charles G. Alexander	Magistrate
Beverly Key	Magistrate
Donald Hugh McCormick	Magistrate
James C. Hicks	Magistrate

Other Elected Officials:

Charles McCollom	County Attorney
Miles Hart	Jailer
Wilma G. Martin	County Clerk
William T. Burton	Circuit Court Clerk
Dennis Clary	Sheriff
Steve Hargis	Property Valuation Administrator
Don Cantley	Coroner

Appointed Personnel:

Rebecca Carroll	County Treasurer
Paula Pritchett	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

HENDERSON COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 2,569,326	
Investments	1,552,230	
Receivable (Note 4)	26,208	
Road and Bridge Fund:		
Cash	289,585	
Jail Fund:		
Cash	213,822	
Local Government Economic Assistance Fund:		
Cash	148,833	
Investments	300,000	
Payroll Revolving Account - Cash	<u>6,790</u>	\$ 5,106,794

Special Revenue Fund Type

Dry Hydrant Fund:

Cash	\$ 5,518	
Cemetery Fund:		
Cash	1,579	
Investments	<u>27,500</u>	34,597

Capital Projects Fund Type

Public Properties Corporation Courts Facility Fund:

Cash	8,425,387
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Debt Service Fund Type

Public Properties Corporation Debt Service Fund

Cash	<u>48,320</u>
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Total Assets	\$ 13,615,098
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The accompanying notes are an integral part of the financial statements.

HENDERSON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Assets and Other Resources (Continued)

Other Resources

General Fund Type

General Fund:

Amounts to be Provided in Future Years for Capital Lease Obligations - Vehicles (Note 6)	\$ 32,413	
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Debt Service Fund Type

Public Properties Corporation Debt Service Fund:

Amounts to be Provided in Future Years for Bond Payments (Note 5)	<u>15,860,000</u>	\$ 15,892,413
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Total Assets and Other Resources		<u><u>\$ 29,507,511</u></u>
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Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

Deferred Revenue (Note 4)	\$ 26,208	
Principal Payments - Vehicles (Note 6)	32,413	
Payroll Revolving Account	<u>6,790</u>	\$ 65,411

Debt Service Fund Type

Public Properties Corporation Debt Service Fund:

Bond Principal Payments - Detention Center (Note 5)	\$ 5,885,000	
Bond Principal Payments - Courts Facility (Note 5)	<u>9,975,000</u>	15,860,000

The accompanying notes are an integral part of the financial statements.

HENDERSON COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

Reserved:

Debt Service Fund Type

Public Properties Corporation Debt Service Fund:

Detention Center	\$ 716	
Courts Facility	<u>47,604</u>	\$ 48,320

Special Revenue Fund Type

Dry Hydrant Fund	\$ 5,518	
Cemetery Fund	<u>29,079</u>	34,597

Capital Projects Fund Type

Public Properties Corporation Courts Facility Fund		8,425,387
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Unreserved:

General Fund Type

General Fund	\$ 4,121,557	
Road and Bridge Fund	289,585	
Jail Fund	213,821	
Local Government Economic Assistance Fund	<u>448,833</u>	<u>5,073,796</u>

Total Liabilities and Fund Balances		<u>\$ 29,507,511</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

HENDERSON COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 10,710,774	\$ 5,282,070	\$ 1,423,622	\$ 3,013,260
Transfers In	4,226,281	1,480,909	920,000	585,000
Cemetery Fund	1,343			
Bond Proceeds	9,623,778			
Public Properties Corporation Fund	199,471			
Kentucky Advance Revenue Program	1,717,480	1,717,480		
Total Cash Receipts	<u>\$ 26,479,127</u>	<u>\$ 8,480,459</u>	<u>\$ 2,343,622</u>	<u>\$ 3,598,260</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 9,843,819	\$ 3,958,126	\$ 2,124,805	\$ 2,740,174
Transfers Out	4,226,281	1,910,000	125,000	1,018,650
Capital Lease				
Principal Paid	61,901	17,535		
Bonds:				
Principal Paid	323,650			
Interest Paid	260,000			
Construction Costs	233,279			
Fees Paid	95,964			
Kentucky Advance Revenue Program Repaid	1,717,480	1,717,480		
Total Cash Disbursements	<u>\$ 16,762,374</u>	<u>\$ 7,603,141</u>	<u>\$ 2,249,805</u>	<u>\$ 3,758,824</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 9,716,753	\$ 877,318	\$ 93,817	\$ (160,564)
Cash Balance - July 1, 1999 *	<u>3,865,347</u>	<u>3,244,238</u>	<u>195,768</u>	<u>374,386</u>
Cash Balance - June 30, 2000 *	<u>\$ 13,582,100</u>	<u>\$ 4,121,556</u>	<u>\$ 289,585</u>	<u>\$ 213,822</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

HENDERSON COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

General Fund Type	Special Revenue Fund Type		Capital Projects Fund Type	Debt Service Fund Type
Local Government Economic Assistance Fund	Dry Hydrant Fund	Cemetery Fund	Public Properties Corporation Courts Facility Fund	Public Properties Corporation Debt Service Fund
\$ 991,718 505,000	\$ 104	\$ 1,343	\$ 151,722 9,527,853	\$ 583,650 95,925 199,471
<u>\$ 1,496,718</u>	<u>\$ 104</u>	<u>\$ 1,343</u>	<u>\$ 9,679,575</u>	<u>\$ 879,046</u>
 \$ 1,020,337	 \$ 377	 \$	 \$ 1,020,909	 \$ 151,722
 44,366				 323,650 260,000 233,279 95,964
<u>\$ 1,064,703</u>	<u>\$ 377</u>	<u>\$ 0</u>	<u>\$ 1,254,188</u>	<u>\$ 831,336</u>
\$ 432,015 16,818	\$ (273) 5,791	\$ 1,343 27,736	\$ 8,425,387	\$ 47,710 610
<u>\$ 448,833</u>	<u>\$ 5,518</u>	<u>\$ 29,079</u>	<u>\$ 8,425,387</u>	<u>\$ 48,320</u>

The accompanying notes are an integral part of the financial statements.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Henderson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Henderson City-County Planning Commission, which was audited by other auditors and whose report is included in Appendix B, as part of the reporting entity.

The fiscal court has financial accountability for the Henderson City-County Planning Commission because it appoints a voting majority of the governing body and can impose its will on the component unit based on the criteria stated in GASB 14.

Additional - Henderson County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Henderson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Henderson County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Henderson County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Dry Hydrant Fund and the Cemetery Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Debt Service Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Public Properties Corporation Courts Facility Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Henderson County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

Formal budgets are not adopted for the Public Properties Corporation because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Henderson County Tourism Commission is considered a related organization of Henderson County Fiscal Court.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

HENDERSON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of Investments	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Repurchase Agreements	\$ 1,552,500	\$ 0	\$ 0	\$ 1,552,500	\$ 1,552,230

Note 4. Receivable

The County loaned \$50,400 to the Henderson County Water District on December 31, 1985, for the purpose of constructing water lines to the communities of Reed and Beels. Terms of the agreement stipulate a 20-year repayment schedule. Under the terms of the agreement, no interest is charged on the outstanding balance. The Henderson County Water District is in substantial compliance with the terms of the agreement. As of June 30, 2000, principal balance due was \$26,208.

HENDERSON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 5. Long-Term Debt

A. Detention Center

The Henderson County Public Properties Corporation entered into a bond issue, Henderson County Public Properties Corporation Lease Revenue Bonds (Detention Center Project) Series 1995 on June 29, 1995, for the purpose of paying the cost of constructing a new county detention facility and the cost of issuance of the bonds. The issue amount of the bonds was \$7,060,000. The corporation and the county have entered into an annually renewable lease, dated June 1, 1995, wherein the county shall lease the detention facility from the corporation at an agreed rental which will be used to pay the principal and interest on the bonds.

The Henderson County Public Properties Corporation entered into a lease agreement with the county in which the county will lease from the corporation the detention center facility in the amount of the aggregate of the interest on and the principal of the bonds, which are due and payable during the lease period, the cost of operation and maintenance of the project, the cost of insuring the project and the annual trustee fee. Rental payments are due semiannually on May 20 and November 20 of each year. The interest rate on the bonds is 5%. The outstanding balance as of June 30, 2000 was \$5,885,000.

<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>
2000-2001	\$ 310,650	\$ 270,000
2001-2002	297,150	285,000
2002-2003	282,900	300,000
2003-2004	267,900	315,000
2004-2005	252,150	330,000
Later Years	<u>1,416,950</u>	<u>4,385,000</u>
Totals	<u>\$ 2,827,700</u>	<u>\$ 5,885,000</u>

B. Courts Facility

The Henderson County Public Properties Corporation entered into a new bond issue, Henderson County Public Properties Corporation Lease Revenue Bonds (Courts Facility Project), Series 2000 on April 15, 2000 for the purpose of financing the cost of the acquisition, construction, and equipping of a court facility and the cost of issuance of the bonds. The issue amount of the bonds was \$9,975,000. The corporation and the county have entered into an annually renewable lease, dated April 15, 2000, wherein the county shall lease the courts facility from the corporation at an agreed rental which will be used to pay the principal and interest on the bonds.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 5. Long-Term Debt (Continued)

B. Courts Facility (Continued)

The Henderson County Public Properties Corporation and the Henderson County Fiscal Court entered into a lease/sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), in which the AOC wishes to use the courts facility and will sublease from the corporation the courts facility, and make payments in the amount of the court's share of the interest on and the principal of the construction of a courts facility, but not to exceed 8% annually of capital costs. The lease is renewable April 15 of each even numbered year. Rental payments are due semiannually on January 20 and July 20 of each year. The interest rate on the bonds is 5.55%. The outstanding balance as of June 30, 2000 was \$9,975,000.

<u>Due Date</u>	<u>Interest</u>	<u>Principal</u>
2000-2001	\$ 420,759	\$
2001-2002	529,626	330,000
2002-2003	514,446	215,000
2003-2004	504,342	225,000
2004-2005	493,542	235,000
Later Years	6,310,024	8,970,000
Totals	<u>\$ 8,772,739</u>	<u>\$ 9,975,000</u>

Note 6. Lease Agreements

The county has entered into the following lease agreements:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Balance</u>
Sheriff's Vehicles	3/18/1997	4/20/2002	3.75%	\$ 32,413
Gradall	8/15/1998	8/15/2001	5.59%	\$ 95,959

Note 7. Commitments and Contingencies

A. Industrial Revenue Bonds

The Henderson County Fiscal Court has adopted ordinances approving the issuance of Industrial Revenue Bonds and Pollution Control Bonds. Such bond issues do not constitute a general debt, liability, or moral obligation of Henderson County. Accordingly, these financial statements do not include any assets or liabilities related to the issuance of these various bond issues.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 7. Commitments and Contingencies (Continued)

B. Ambulance Service Agreement

In April 1983, the County of Henderson, along with the City of Henderson entered into an agreement with Community Methodist Hospital for the operation of a County - wide ambulance service. The hospital agreed to operate the ambulance service with both the City and County reimbursing the hospital for any operating loss incurred on a quarterly basis. Expenses incurred under this arrangement for fiscal year ended June 30, 2000, were \$204,979.

C. Solid Waste Interlocal Agreement

In response to KRS 224.830 and reducing solid waste stream at municipal landfills by 25%, the County of Henderson entered into an interlocal agreement with Union and Webster Counties and Cities of Henderson and Corydon establishing a Solid Waste Recycling Facility and Program for these areas. All parties have agreed to fund the operating expenses of this organization. The County is responsible for 22.5% of the Solid Waste Recycling Facility and Program operating expenses. Expenses incurred under this agreement for fiscal year ended June 30, 2000 were \$8,230.

D. Tri-County Interlocal Agreement for a New Water and Wastewater Treatment Facility

The County of Henderson entered into an interlocal agreement with the Counties of Webster and McLean, the City of Henderson, and the City of Henderson Water and Sewer Commission, to which the local governments agree to supplement the City of Henderson Water and Sewer Commission's debt service on the Water and Wastewater Treatment Facility in southern Henderson County on an equal basis should the excess revenues generated by the facility be less than the amount necessary to fund the debt service required for the related facility. The County's portion of expenses were \$14,752 for fiscal year ended 2000.

E. Solid Waste Transfer Station Interlocal Agreement

The County of Henderson entered into an agreement with the City of Henderson to fund 50% of the construction and operation of a solid waste transfer station to be used in the collection and disposal of solid waste collected within the City and County. The agreement is for a five-year period, beginning July 1, 1995, and ending June 30, 2000, with the option to renew for four consecutive five-year terms unless written notice is provided by either party. The County's portion of operating costs for fiscal year ended June 30, 2000, was \$302,256.

Note 8. Subsequent Events

A former employee of the Henderson County Detention Center was convicted of theft by unlawful taking from the Jail Commissary. The employee was required to serve jail time and make restitution of \$300.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 9. Insurance

For the fiscal year ended June 30, 2000, Henderson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Henderson County Jail Canteen Fund had income of \$149,558, less cost of goods sold of \$102,279, less other expenses of \$58,879, leaving net loss at \$11,600 as of June 30, 2000. All profit expenditures were for the benefit and/or recreation of the inmates.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

HENDERSON COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 4,744,030	\$ 5,282,070	\$ 538,040
Road and Bridge Fund	1,259,116	1,423,622	164,506
Jail Fund	3,065,842	3,013,260	(52,582)
Local Government Economic Assistance Fund	980,632	991,718	11,086
<u>Special Revenue Fund Type</u>			
Dry Hydrant Fund	<u>100</u>	<u>104</u>	<u>4</u>
Totals	<u>\$ 10,049,720</u>	<u>\$ 10,710,774</u>	<u>\$ 661,054</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 10,049,720
Add: Budgeted Prior Year Surplus			1,765,504
Less: Other Financing Uses			<u>(649,569)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 11,165,655</u>

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SCHEDULE OF OPERATING REVENUE

HENDERSON COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>GOVERNMENTAL FUND TYPES</u>			
<u>Revenue Categories</u>	<u>Totals (Memorandum Only)</u>	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>
Taxes	\$ 2,727,234	\$ 2,727,234	\$
In Lieu Tax Payments	43,345	43,345	
Excess Fees	63,912	63,912	
License and Permits	174,535	174,535	
Intergovernmental Revenues	7,016,711	7,016,711	
Charges for Services	48,528	48,528	
Miscellaneous Revenues	462,761	462,761	
Interest Earned	173,748	173,644	104
Total Operating Revenue	<u>\$ 10,710,774</u>	<u>\$ 10,710,670</u>	<u>\$ 104</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

HENDERSON COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,707,947	\$ 2,531,264	\$ 176,683
Protection to Persons and Property	2,960,082	2,908,562	51,520
General Health and Sanitation	528,100	497,011	31,089
Social Services	215,190	152,667	62,523
Recreation and Culture	213,300	193,360	19,940
Roads	1,938,398	1,873,945	64,453
Bus Services	32,500	36,238	(3,738)
Other Transportation Facilities and Services	10,000		10,000
Debt Service	7,718	8,920	(1,202)
Capital Projects	1,400,000	486,308	913,692
Administration	1,146,540	1,155,167	(8,627)
Total Operating Budget - All General Fund Types	\$ 11,159,775	\$ 9,843,442	\$ 1,316,333
Other Financing Uses:			
Transfers to Public Property			
Corporation Bond Fund-			
Principal	264,018	260,000	4,018
Interest	323,650	323,650	
Capital Lease Agreement-			
Principal on Lease:			
Gradall	44,366	44,366	
Sheriff's Vehicles	17,535	17,535	
TOTAL BUDGET - ALL GENERAL FUND TYPES	\$ 11,809,344	\$ 10,488,993	\$ 1,320,351

HENDERSON COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2000
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Capital Projects	\$ 5,880	\$ 377	\$ 5,503
Total Operating Budget - All Special Revenue Fund Types	<u>\$ 5,880</u>	<u>\$ 377</u>	<u>\$ 5,503</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Sandy L. Watkins, Henderson County Judge/Executive
Members of the Henderson County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Henderson County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated October 26, 2001. We did not audit the financial statements of the Henderson City-County Planning Commission Fund. Other auditors whose report has been furnished to us audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Henderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comment and recommendation.

- The Fiscal Court Should Adopt An Administrative Code

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henderson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses

Honorable Sandy L. Watkins, Henderson County Judge/Executive
Members of the Henderson County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 26, 2001

COMMENT AND RECOMMENDATION

HENDERSON COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2000

NONCOMPLIANCE:

The Fiscal Court Should Adopt An Administrative Code

The Fiscal Court has not adopted an administrative code as required by KRS 68.005. The County Judge/Executive submitted an administrative code to the fiscal court on October 12, 1993. However, during fiscal year ended June 30, 2000, the administrative code had yet to be adopted by fiscal court. We recommend the fiscal court approve an administrative code.

County Judge/Executive Sandy L. Watkins' Response:

The County Judge/Executive has adopted an investment policy and a personnel policy, he and his staff are drafting a proposed administrative code to be presented to fiscal court.

PRIOR YEAR FINDING:

The prior year finding, "The Fiscal Court Should Adopt An Administrative Code," was not corrected and is discussed above.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

HENDERSON COUNTY FISCAL COURT

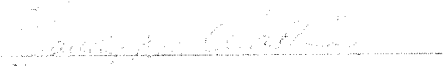
Fiscal Year Ended June 30, 2000

Appendix A

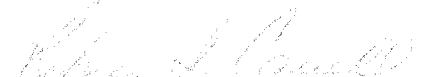
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
HENDERSON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Henderson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Name

County Judge/Executive


Name

County Treasurer

Henderson City-County Planning Commission Audited Financial Statements

HENDERSON CITY-COUNTY PLANNING COMMISSION

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2000

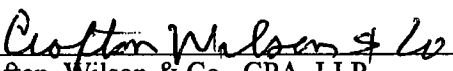
INDEPENDENT AUDITORS' REPORT

Members of the Commission
Henderson City-County Planning Commission
Henderson, Kentucky

We have audited the accompanying balance sheet of Henderson City-County Planning Commission as of June 30, 2000, and the related statements of revenues and expenditures, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Henderson City-County Planning Commission as of June 30, 2000, and the results of its operations, changes in fund balances and cash flows for the year then ended in conformity with generally accepted accounting principles.


Crafter, Wilson & Co., CPA, LLP

July 24, 2000

HENDERSON CITY-COUNTY PLANNING COMMISSION
BALANCE SHEET
JUNE 30, 2000

	<u>GENERAL FUND</u>	<u>GENERAL FIXED ASSETS</u>	<u>TOTAL MEMO ONLY</u>
ASSETS			
Cash	\$ 37,596	\$ -	\$ 37,596
Excess contributions due from City of Henderson and County of Henderson - NOTE B	460	-	460
Equipment - at cost	-	39,327	39,327
TOTAL ASSETS	<u>\$ 38,056</u>	<u>\$ 39,327</u>	<u>\$ 77,383</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 460		\$ 460
Accrued expenses	315		315
Recording fees advanced	636		636
Amounts held for public improvement - NOTE C	23,500		23,500
County map escrow	12,280		12,280
TOTAL LIABILITIES	<u>\$ 37,191</u>		<u>\$ 37,191</u>
 FUND BALANCES			
General fund	\$ 865	\$ -	\$ 865
General fixed assets	-	39,327	39,327
TOTAL FUND BALANCES	<u>\$ 865</u>	<u>\$ 39,327</u>	<u>\$ 40,192</u>
	<u>\$ 38,056</u>	<u>\$ 39,327</u>	<u>\$ 77,383</u>

See Independent Auditors' Report
and Notes to Financial Statements

HENDERSON CITY-COUNTY PLANNING COMMISSION
STATEMENT OF REVENUES AND EXPENDITURES
For the Year Ended June 30, 2000

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL OVER (UNDER) BUDGET</u>
REVENUES			
City of Henderson	\$ 111,298	\$ 111,298	\$ -
County of Henderson	111,298	111,298	-
City of Corydon	1,000	1,000	-
Interest income	727	-	727
TOTAL REVENUES	<u>\$ 224,323</u>	<u>\$ 223,596</u>	<u>\$ 727</u>
EXPENDITURES			
Salaries - Regular	\$ 135,770	\$ 134,481	\$ 1,289
Salaries - Overtime	1,571	2,000	(429)
Payroll taxes	10,822	10,471	351
Life insurance	120	120	-
Health insurance	27,300	25,200	2,100
Employee assistance	60	60	-
Workmen's compensation insurance	598	900	(302)
Liability insurance	201	220	(19)
Retirement	11,890	11,794	96
Office expense	936	1,107	(171)
Postage	1,069	1,500	(431)
Books and maps	895	895	-
Equipment maintenance	226	226	-
Telephone	2,199	2,218	(19)
Dues and meetings	1,088	1,039	49
Travel	787	788	(1)
Advertising	3,782	4,102	(320)
Rent	4,800	4,800	-
Printing and blue print	707	868	(161)
Professional services	925	925	-
Member reimbursements	3,660	4,280	(620)
Meeting expense	717	711	6
Auto expense	4,448	4,720	(272)
Equipment rental	2,009	2,010	(1)
Capital expenditures	7,885	7,864	21
Recording fees	21	-	21
Education	297	297	-
TOTAL EXPENDITURES	<u>\$ 224,783</u>	<u>\$ 223,596</u>	<u>\$ 1,187</u>
EXCESS EXPENDITURES OVER REVENUES	<u>\$ (460)</u>	<u>\$ -</u>	<u>\$ (460)</u>

See Independent Auditors' Report
and Notes to Financial Statements

HENDERSON CITY-COUNTY PLANNING COMMISSION
 STATEMENT OF CHANGES IN FUND BALANCES
 For the Year Ended June 30, 2000

	GENERAL FUND	GENERAL FIXED ASSETS	TOTAL MEMO ONLY
Fund balance at beginning of year	\$ 865	\$ 32,231	\$ 33,096
Excess of revenues over expenditures for the year ended June 30, 2000	(460)	-	(460)
Balance due City of Henderson and County of Henderson - excess expenditures over revenues - NOTE B	460	-	460
Additions to equipment	-	7,886	7,886
Disposals of equipment	-	(790)	(790)
FUND BALANCE AT END OF YEAR	<u>\$ 865</u>	<u>\$ 39,327</u>	<u>\$ 40,192</u>

See Independent Auditors' Report
 and Notes to Financial Statements

HENDERSON CITY-COUNTY PLANNING COMMISSION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2000

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss for the year	\$ 460
Adjustments to derive cash effect	
Decrease in accounts payable	(342)
Decrease in balance due City of Henderson and County of Henderson	(3,273)
Decrease in accrued expenses	(4,125)
Increase in recording fees advanced	127
Increase in amounts held for public improvements	18,750
Balance due from City of Henderson and County of Henderson charged against fund balances	(460)
CASH PROVIDED FROM OPERATIONS AND	
INCREASE IN CASH	
CASH AT BEGINNING OF YEAR	<u>26,459</u>
CASH AT END OF YEAR	<u><u>\$ 37,596</u></u>

SUPPLEMENTARY DATA:

Cash and cash equivalents include both operating and interest bearing accounts.

Interest paid during year \$-0-

See Independent Auditors' Report
and Notes to Financial Statements

HENDERSON CITY-COUNTY PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2000

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Henderson City-County Planning Commission (Commission) was created by authority of Chapter 100 of the Kentucky Revised Statutes and the agreement with the City of Henderson, County of Henderson, and City of Corydon.

Depreciation – Depreciation expenses are not recorded in the accounts.

Retirement Benefits – The Commission's employees are provided with retirement benefits through the International City Managers Association. Such benefits are provided by employer contributions based upon 8.77% of an employee's base salary.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Fixed Assets – Fixed assets purchased by the Commission are recorded as expenses when purchased.

Fund Totals – Fund totals are presented as memo totals and are not intended to present consolidated financial statements.

NOTE B – EXCESS CONTRIBUTIONS

The operating agreement between the Planning Commission and the City of Henderson, County of Henderson, and City of Corydon states in part "all costs incurred by the commission, not met by Federal and/or State monies shall be paid by the participating cities and county as follows:

City of Corydon	\$1,000 per year
City of Henderson	50% of Balance
County of Henderson	50% of Balance"

In accordance with the terms of this agreement the excess expenditures due are represented by the excess expenditures by the Commission over advances received by the Commission.

NOTE C – AMOUNTS HELD FOR PUBLIC IMPROVEMENTS

During the year, the Commission collected form developers funds which were in lieu of bonds or letters of credit. The Commission's regulations require these funds be held until the developer completes and receives acceptance of all public improvements required in his approved development. These funds may be refunded to the developer or used to pay for any necessary public improvements.

HENDERSON CITY-COUNTY PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2000

NOTE D – OPERATING LEASES

The Planning Commission executed leases for the rental of equipment. The following is a schedule by years of future minimum rental payments required under the operating leases that have initial or remaining noncancellable lease terms in excess of one year at June 30, 2000.

June 30, 2001	\$ 5,648.25
June 30, 2002	4,141.56
June 30, 2003	<u>690.26</u>
	<u>\$ 10,480.07</u>